

# B to BUSINESS

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## GAME. CHANGED.

From the groundbreaking **iPhone** to his vision for the future, inside the wireless world of AT&T Mobility's **Ralph de la Vega**

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# Game Changer



AT&T Mobility chief Ralph de la Vega forever transformed the mobile phone business with the iconic iPhone. Here's a look inside his wireless world of constant innovation, collaboration and overcoming obstacles.

By Don Sadler  
Photography by Phillip Vullo





**W**hen asked to describe people, circumstances or events that helped shape their lives and make them the men and women they are, most leaders will point to a strong family upbringing, a focus on education or key mentors who were influential in their lives.

But few have a story to tell like Ralph de la Vega. The president and CEO of AT&T Mobility and Consumer Markets was born in Cuba, but his family decided to flee the country after the communist takeover. This meant leaving behind everything, including his father's business, which was nationalized by the communist government. "Whatever we could fit in a suitcase is what we could take with us," explains de la Vega, who was 10 years old at the time.





When the family arrived at the airport, however, they learned that only Ralph's paperwork was in order. Ralph could leave, his father was told, but the rest of the family could not. "My father phoned our friends in Florida and explained the situation to them, and they agreed to take me in. He assured me that he and my mother and sister would catch up with me in a few days – that it would just be like a short sleepover."

However, a few days turned into a few weeks, and then a few months, and then longer. "I did not see my family again for four years," he says.

Enduring such a traumatic event at so young an age had a major influence on de la Vega's life. "It made me the person I am. It made me strong," he says. "That's about as tough a start as you can get in life – a new country, new family, new culture, new language. I figured everything else would be easy if I could pull that off."

## A Tale of Two Companies

Since this rough start to his life here in the U.S., de la Vega has continued to defy the odds and pulled off more than a few victories as a corporate leader. Perhaps the most visible has been the successful partnership

between AT&T and Apple in the launch of the iPhone, Apple's iconic device that generates more Internet interest (and rumors) than any other invention in memory.

The iPhone exclusivity agreement between AT&T and Apple will celebrate its two-year anniversary this summer. *The Wall Street Journal* reported in April that the exclusivity will end in 2010, and although de la Vega won't acknowledge set timetables, he will admit the impact of the collaboration on his division.

"The partnership has offered everything we had dreamed of and more," says de la Vega. "In the last quarter, we led the industry in

total customer additions, post-paid additions (the best customers in the industry), total revenue, revenue growth and revenue per subscriber. We knew this was a bet for the long term, and now it's paying off."

Industry analysts concur. The AT&T-Apple partnership "has really been a game-changer for the industry overall

and for AT&T in particular," says Roger Entner, the head of telecom research for The Nielsen Company. "AT&T is now perceived as the leader in data services, and there's a halo effect from this."

"The iPhone is an iconic product that draws people into our stores," de la Vega adds.

Charlie Wolf, a vice president and securities analyst with Needham & Company who has followed Apple closely for many years, says, "From the beginning, Apple decided to break industry practice when it comes to carriers having a say in what features are in a smart phone. I believe AT&T told Apple to design the phone and give them an exclusive, and Apple went for it. It was a very smart move for AT&T because all they had to do was trust that Apple could design a phone that's a disrupter, a game-changer, and the iPhone has been that. I think AT&T showed great flexibility in reaching that decision."

## Letting Apple Be Apple

The roots of the AT&T-Apple partnership go back to their collaboration together about five years ago on a smart phone called the ROKR, which was the world's first phone with iTunes built in. "The ROKR was innovative, the first phone of its kind," says de la Vega of the iTunes feature. "Apple liked the

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partnership with us so much that when they decided to build the iPhone, they asked us to partner with them on an exclusive basis. I still have a ROKR in my home in a glass case next to an iPhone to remind me of what it took to get this deal done.

"There's a strong spirit of partnership at Apple," he continues. "We wanted Apple to be Apple – the innovative company that makes iconic products – and work together with them to deliver exciting new services and have

In fact, iPhone customers spend substantially more with AT&T than regular customers do. "Better than 50 percent more," says Entner, "so there's an imme-



"We're entering a new era of communication and connectivity. In the past, we were connected by wired phones, and then we made phones mobile, and now we're doing the same thing for data. The next phase will be connecting machines to machines so that any consumer electronic device has wireless connectivity." — **Ralph de la Vega**

great joint promotions. Our goal was to use the best of both companies to create great new products and services, which is exactly what we've done."

According to de la Vega, an exclusive carrier agreement was critical in helping Apple get the iPhone launched quickly. "It reduced the number of carriers Apple had to work with, which helped them get to market sooner." There's no question that the Apple product has helped spur other innovative products in the industry, like the Google G1, BlackBerry Storm and Palm Pre. He says, "Increasing the number of products out there has been really good for the marketplace, and customers are getting the best and the latest devices as a result of the innovation spurred by the iPhone."

## Rising Through the Ranks

De la Vega is among the rare breed of executives today who have spent their entire career with one company. He started with AT&T (then Southern Bell) as a management assistant in 1974 after receiving a mechanical engineering degree from Florida Atlantic University.

"My dream was to be an engineer, but when I was young a counselor told me I should be a mechanic, so I went to aviation mechanic school. But my grandmother, who was a schoolteacher in Cuba, told me not to let anyone try to

put limitations on what I can do. I did a 'control/alt/delete' on that counselor's advice and went after engineering, and that's how I've run my life every since. I'm all about removing limitations and letting people and organizations rise to their potential."

De la Vega's first break at Southern Bell came when he had a chance to move into sales, but the real turning point was when he decided to take a job with Bell Communications Research in the Technical Education Center in Chicago. "Everybody told me not to take the job because, for someone coming from Cuba and Florida, Chicago is pretty cold," he says. "But my wife and I made the decision to take this risk because you can't wait for opportunity to hit you between the eyes — you have to go get it."

"It turned out to be one of the best things I've ever done. I left my comfort zone and went to learn a new job, and this dramatically changed my career."

Next up was an opportunity to lead BellSouth Latin America. At the time, Latin America was in the midst of a severe economic downturn. "People again told me I was crazy to take this job, but while everyone else saw it as a problem, I saw it as an opportunity. How often do you get a chance to turn around something like this? We achieved profitability in Latin America during the first year after I became president there."

## A Merger for the Ages

Among the professional achievements de la Vega is most proud of is the 2004 merger of AT&T Wireless and Cingular Wireless, which was the largest all-cash transaction in U.S. history (\$41 billion) at the time. As COO of Cingular, a position he accepted in January 2004, he was in charge of putting the merger together and, more importantly, making it happen on time.

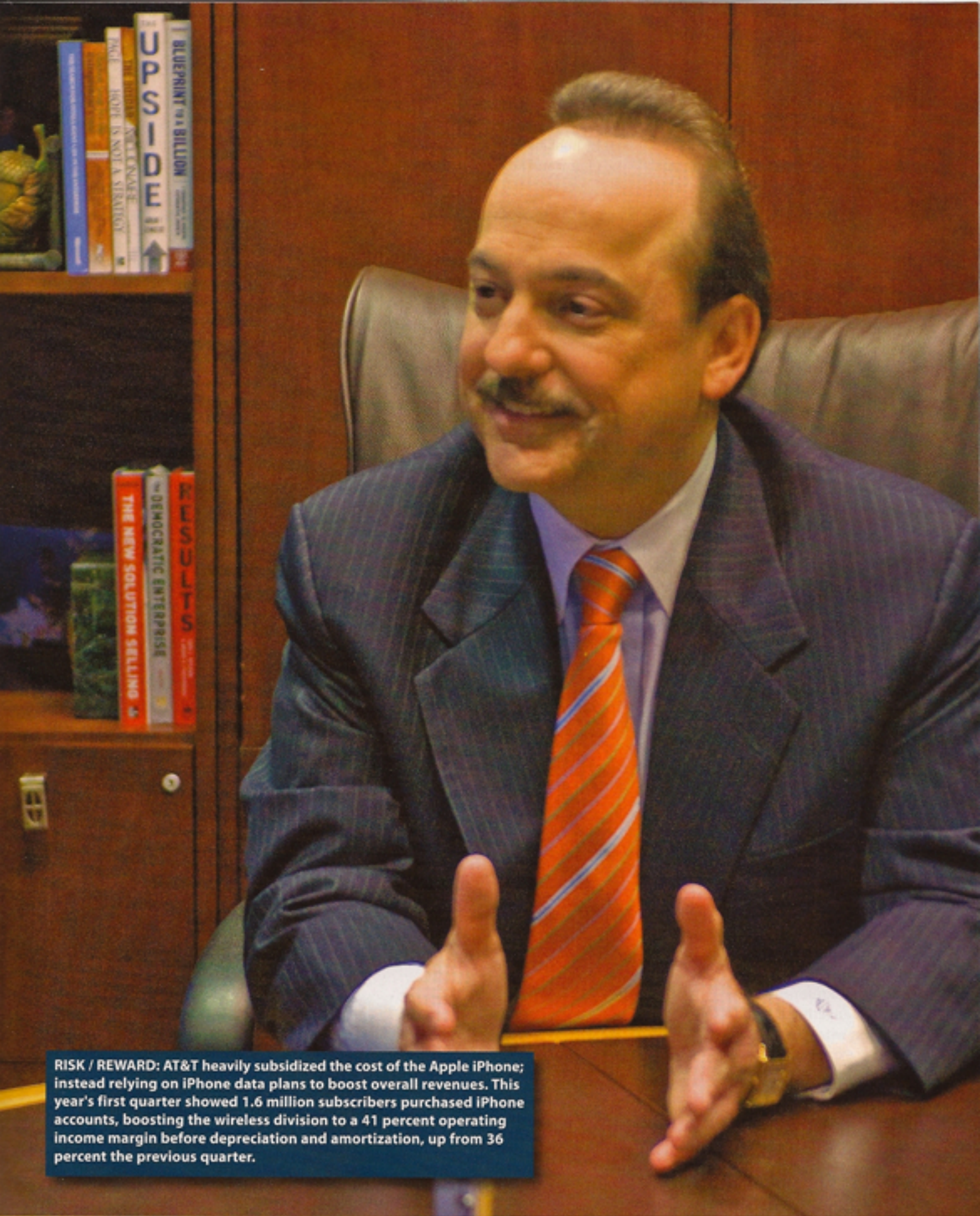
The merger was announced on Feb. 17, 2004, but it had to go through FCC and Department of Justice scrutiny. The companies anticipated receiving regulatory approval for the merger by early October, which would give them about 45 days to complete integration and be ready for the holiday season, the most critical time of the year for wireless carriers.

"Doing this in 45 days was going to be a big enough challenge, but we didn't get regulatory approval until October 26," de la Vega says. "So we had to make the call: Do we try to pull off the integration of two companies with 20 million customers and 30,000 employees in just 19 days? I told our CEO that yes, we could do it, but we'd need every one of those 450 hours."

Since the integration has been planned for eight months, they were ready to go on day one. "We had a master game plan and each unit had its own playbook. We trained 100,000 people in these 19 days, and on November 14 between 6 p.m. and midnight, more than 1,000 retail stores received an 'extreme makeover.' Each store opened on schedule the next morning as a new AT&T Wireless store."

De la Vega attributes his success in pulling off this gargantuan task to surrounding himself with "an inspired team that overcame incredible obstacles to reach the goal. When we recruited people for the integration team, we told them they were signing up for probably the hardest thing they'd ever done in their careers, but also the most important thing. Whenever I have a tough task to accomplish, I always make sure I have





**RISK / REWARD:** AT&T heavily subsidized the cost of the Apple iPhone; instead relying on iPhone data plans to boost overall revenues. This year's first quarter showed 1.6 million subscribers purchased iPhone accounts, boosting the wireless division to a 41 percent operating income margin before depreciation and amortization, up from 36 percent the previous quarter.



assembled the right team and provided the appropriate resources so we can execute the plan accordingly."

### Three-Screen Strategy

"Ralph de la Vega has done a phenomenal job and been an outstanding leader for AT&T Mobility," says Roger Entner. "He has totally revamped the business since taking over. But better yet, he is genuinely loved by his people. A lot of leaders can turn companies around, but not many enjoy this kind of affection and respect. A strong leader sets the tone and atmosphere for a company, and his style and personality permeate [his company]."

With its launch of U-verse, AT&T's new entertainment product, the company has added digital television to its array of services, and pits its company squarely against cable behemoths Comcast and Time Warner, and familiar mobile phone foe Verizon. De la Vega says this is the next logical step in AT&T's vision of "connecting people to where they live and work better than anyone else."

"We're entering a new era of communication and connectivity," he continues. "In the past we were connected by wired phones, and then we made phones mobile, and now we're doing the same thing for data. The next phase will be connecting machines to machines so that any consumer electronic device has wireless connectivity."

He refers to AT&T's "three-screen strategy" of bringing phones, computers and televisions all together seamlessly. "This is what U-verse does," he explains. "It has reinvented television, and our customers love it – it has won the J.D. Power award and beaten cable in customer sat-

isfaction in every area of the country where we've offered it."

"Looking ahead, we're developing products in our lab that will enable you to send content from a phone to a TV or PC not by hooking up a wire, but by shaking the phone and pointing it. So instead of

reading *The New York Times* on a [iPhone] handset, you could literally fling it onto a TV or computer screen.

"It's like magic. I believe innovations like this are what put us at the center of the future of entertainment and telecommunications." **R<sub>B</sub>**

## De la Vega's Principles of Leadership

Ralph de la Vega has created a diagram that illustrates what he calls the Four Pillars of Leadership Success: having a winning plan, taking risks, overcoming obstacles and recognizing opportunities.

"It starts with planning, because just having hope isn't a strategy for success. Next, you've got to be willing to take calculated risks – you can't just sit in your comfort zone. The merger was a huge risk, but it paid off. I've never had a plan that went exactly as anticipated, so you also have to overcome the obstacles that are inevitable. And finally, you have to be ready to seize the opportunities that are all around you. Within every problem, there are opportunities."

De la Vega's leadership extends well beyond the corporate world, as he is active in many community and charitable initiatives. These include board positions with Junior Achievement Worldwide and the Boy Scouts of America, where he plays a leader-

ship role in helping both organizations recruit Hispanic youth.

"It has been fascinating to see Ralph's meteoric rise, but when you know Ralph, you get it," says Donna Buchanan, formerly the president of Junior Achievement of Georgia and now the COO of United Way of Metropolitan Atlanta. "When he makes a commitment to something, he follows through, especially if it involves young people."

She tells the story of when she first met de la Vega and asked him to help with focus groups JA was hosting at a middle school for Hispanic students and parents who spoke very little English. "He said, 'Sure, of course.' He arrived a half-hour early and translated for us for four hours that day. He then called everyone he knew in the Hispanic business community together and told them how important it is to reach out to these kids and asked for their help. JA has reached more than 10,000 young Hispanic people through this program."

### Leadership is a Journey Pillars of Success

